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Wheat and Corn Update

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Report Highlights: This report updates Vietnam's grains (wheat and corn) supply and demand situation. Vietnam's imports of wheat continue to rapidly increase. In addition to the expanding human consumption of wheat flour, significant amounts of flour are used in aquaculture feed and for further processed (breaded) shrimp export products. Vietnam's wheat imports, from under 80 thousand tons in 1996, could be over 800 thousand tons in 2003. Although Vietnam's domestic corn production continues to increase, it still does not meet the increasing demand driven by the rapidly expanding animal feed industry. Corn imports (mostly from neighboring countries) could hit 250 thousand tons in 2002.

Includes PSD changes: Yes

Includes Trade Matrix: No

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WHEAT

Wheat consumption.

Vietnam's wheat flour consumption is continuously growing as it is accelerated by the expanding instant noodle and bakery industries. Wheat flour consumption is raising also due to population increase and as people (especially in cities) change their food consumption habits to use more wheat flour products. In 2002, Vietnam's wheat flour consumption is estimated up to 610 tmt, up from 590 tmt of wheat flour consumed in 2001. Out of the total domestic wheat flour consumption in 2002, about 50 tmt is imported flour and the remaining flour (560 tmt of wheat flour milled from 750 tmt of imported wheat with conversion rate of 75%) is produced locally.

Wheat flour is used mainly for making bread, general baked goods, and by the instant noodle industries. According to wheat flour traders, the usage ratios of wheat flour are as follows:

about 43-45% of wheat flour is for bread and confectionary industry
45-46% for noodle industry
10-12% for high value bakery products.

Bakery products are made from high quality of wheat flour. Observers were quoted as saying that, consumption of bakery products is increasing therefore the demand for good quality wheat flour is also raising. One leading Vietnamese baking company is now exporting crackers and snacks to the United States.

Some, but exact amounts are hard to estimate, wheat flour is also being used in preparing aquaculture (shrimp) feed, and in preparing breaded shrimp products for an expanding number of export markets. Vietnam's booming exports of aquacultural products will help boost the demand for wheat flour. Some lower-quality flour is being used in aquaculture feeds, while higher-quality flour is being used for the breading coatings on the semi-processed and fully prepared shrimp products.

Wheat milling industry is expanding.

Currently, in Vietnam there are about 17 wheat mills operating with total capacity of 4,410 mt of wheat per day. The capacity of the wheat mills ranges from 100 mt/day to 920 mt/day. Wheat mills are mainly located near to ports or in industrial zones of different regions including in the Northern, Southern and Central regions. Vietnam's wheat milling capacity is estimated to increase to 6,510 mt/day when 6 new wheat mill projects are put into operation in 2003. Undoubtedly, some of the smaller and older less-efficient mills will be forced to close when all the new mills come into operation.

Wheat imports.

Wheat imports to Vietnam continue to increase, significantly. In 2001, Vietnam's wheat imports increased

sharply to 705 tmt from 550 tmt imported in 2000. Wheat millers estimates Vietnam's 2002 wheat import at 750 tmt, an increase of 6% compared with 2001's level. Australia, Argentina, India and the United States are the main wheat suppliers to Vietnam (see table 1). Pakistan's wheat was reportedly imported into Vietnam in 2001 with a volume of 12,000 mt, and Post estimates 2002 imports of Pakistan's wheat could reach 70 thousand mt.

Wheat flour imports continue to drop as domestic supplies increase. In 2001, wheat flour imported to Vietnam decreased to 62,000 mt from 82,000 mt imported in 2000. Traders estimates Vietnam's 2002 wheat flour import at 50,000 mt. Wheat flour (mostly high quality) imported to Vietnam are mainly under donation programs sponsored by governments of Japan, Denmark and France (see table 3).

Reportedly small amounts of locally produced wheat flour enter cross-border trade, mostly to Indonesia.

Table 1: Vietnam Wheat and Wheat Flour Imports by Countries

Unit: 1,000 Metric Tons							
	1996	1997	1998	1999	2000	2001	2002 (est.)
TOTAL WHEAT IMPORTS	79	216	255	440	550	717	750
From Australia	79	196	230	396	434	440	350
From Canada	0	0	15	0	0	49	30
From United States	0	10	10	36	36	38	39
From Argentina	0	0	0	0	80	0	0
From South Africa	0	10	0	0	0	0	0
From Ukraine	0	0	0	8	0	0	0
From India	0	0	0	0	0	178	261
From Pakistan	0	0	0	0	0	12	70
TOTAL FLOUR IMPORTS	332	252	292	145	82	62	50
TOTAL FLOUR EXPORTS	0	0	0	0	3	6	10

Source: Traders

Table 2 presents Vietnam's wheat supply and demand (conversion rate from wheat flour to wheat is 75%)

Table 2: Vietnam's Wheat PS&D Table

PSD Table						
Country	Vietnam					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		07/2000		07/2001		07/2002
Area Harvested	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0

Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	650	659	900	788	1000	817
Jul-Jun Imports	650	659	900	788	1000	817
Jul-Jun Import U.S.	0	0	0	0	0	0
TOTAL SUPPLY	650	659	900	788	1000	817
TOTAL Mkt. Yr. Exports	0	4	0	8	0	13
Jul-Jun Exports	0	0	0	0	0	0
Feed Dom. Consumption	0	0	0	0	0	0
TOTAL Dom. Consumption	650	655	900	780	1000	804
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	650	659	900	788	1000	817

U.S. wheat exports/donations to Vietnam.

In 1999, U.S. wheat exports to Vietnam reached a volume of 37,000 mt, including 25,000 mt of wheat donated to the Socialist Republic of Vietnam (SRV) under the Section 416(b) program. In 2000, the U.S. Government did another donation of 25,000 tons of wheat to the SRV. In 2001, U.S. wheat exports to Vietnam were up to 38,000 mt, of which 11,000 mt were commercial wheat and 27,000 mt under the 416(b) program to fund a school lunch program. Post estimates U.S. wheat export to Vietnam in 2002 at 39,000 mt including 25,000 mt of donation wheat to fund various SRV agricultural and humanitarian projects, and 10,000 mt of wheat to continue the school lunch program (for 330,000 students) through the 2002/2003 school year.

U.S. wheat exports are constrained by limited port handling facilities, poor warehouse infrastructure, transportation costs, and procurement prices. According to wheat flour traders, demand for high quality flour is increasing, therefore Vietnam will need to import high quality wheat from the United States to blend with some of the lower-quality wheat imported from other sources.

Policy

Wheat millers asked for more appropriate wheat import tax.

To protect the local wheat milling industry, wheat millers have petitioned the Government to reduce the import tax on wheat from the current rate of 5% to 3% or even zero. They also requested that the wheat flour import tariff should be raised to 30% from the current rate of 15%. However, no decision has been made.

The Government of Vietnam imposed 5% of import tax on wheat that has been effective since December 15, 2001.

Under the AFTA (ASEAN Free Trade Agreement) regional import tariffs will be coordinated and reduced. For the AFTA partners, the wheat tariff will be reduced to zero by the end of 2002 (but not much is grown in the ASEAN region.) And AFTA wheat flour tariffs in 2003 will be reduced to 10 percent and by 2006 down to 5 percent (for AFTA partners).

Vietnam's millers are quite concerned that the AFTA tariff reductions could cause their regional competitors to flood the Vietnamese market with low-cost flour produced in their more efficient mills. Many of the newest mills in the surrounding countries have access to bulk grain handling and storage systems, while most of the older Vietnamese mills are still relying on bagged storage and handling.

CORN

Corn production

Vietnam's 2001 corn production was 2,134 thousand metric ton (tmt), an increase of 5.3% compared with 2000's crop. The crop production increased due to bigger crop area and an improvement in crop yields. The average crop yield went up to 2.9 metric tons (mt)/ha from 2.8 mt/ha in 2000 because of a larger hybrid corn areas (see table 3).

Corn can be grown in all regions of the country but the most productive corn areas are concentrated in North East; South East and the Tay Nguyen (central highlands). In 2001, Son La province (in North East); Dac Lak province (in the Tay Nguyen region) and Dong Nai province (in the South East) had the largest corn areas with an average of 55-60,000 hectare in each.

In 2002, Ministry of Agricultural and Rural Development (MARD) has a target of growing 800 thousand hectare (Tha) of corn with production at 2,320 thousand metric ton (tmt). Corn is being chosen as an alternative crop for agricultural diversification. In some Red River Delta (RRD)'s provinces, corn is grown in some former (low-yielding) rice areas. In Dac Lak province, corn is considered an alternative crop to replace unproductive (and/or un-economical) coffee. The province planned to increase corn area to 55,000 ha in 2002 from 54,000 ha in 2001. However, according to MARD experts, Vietnam's 2002 corn production probably is under the target because of various climate calamities in the North Mountainous areas and in the Tay Nguyen region. Post estimates Vietnam's 2002 corn production at 2,262 tmt on the area of 780 Tha (see table 3).

Table 3: Vietnam Corn Production by Regions

	Growing areas (THa)			Crop yield (MT/ha)			Production (TMT)		
	2000	2001	2002 est.	2000	2001	2002 est.	2000	2001	2002 est.
North Vietnam	473	446	N/A	2.5	2.7	N/A	1,177	1,207	N/A
Red River Delta	93	68	N/A	3.1	3.4	N/A	289	233	N/A
North East	183	183	N/A	2.4	2.6	N/A	432	470	N/A
North West	104	109	N/A	2.2	2.3	N/A	228	253	N/A
North Center Coast	93	87	N/A	2.4	2.9	N/A	227	251	N/A
South Vietnam	257	280	N/A			N/A	850	927	N/A
South Center Coast	28	32	N/A	2.5	2.8	N/A	72	91	N/A
Central Highland	87	101	N/A	3.6	3.2	N/A	317	324	N/A
South East	123	125	N/A	3.3	3.4	N/A	410	418	N/A
Mekong River Delta	19	23	N/A	2.7	4.1	N/A	52	94	N/A

TOTAL VIETNAM	730	727	780	2.8	2.9	2.9	2,027	2,134	2,262
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Source: Vietnam General Statistics Office and Ministry of Agricultural and Rural Development

Hybrid corn accounts for about 65-70% of the total corn area. Corn farmers use both locally produced hybrid seed corn or imported seed (mostly from Thailand). Current favorite hybrid corn varieties include G49 corn variety distributed by a Swiss company and DK999 hybrid corn variety imported by a Thai company. Both varieties are much preferred by farmers due to their short growing season (95 days) and high crop yields. Annually Vietnam needs about 4,500-5,000 metric tons of hybrid corn seeds.

Corn imports

In 2001, Vietnam's corn imports dropped sharply from 210 tmt imported in 2000 to 40 tmt due to an increase of domestic production. China was the biggest corn supplier to Vietnam. Vietnam also imported corn from other countries including Cambodia, and Thailand.

In 2002, Vietnam's corn imports are estimated to increase as corn demand from the livestock sector is raising. Post estimates Vietnam's 2002 corn import at 250 tmt (see table 4).

Vietnam reportedly exported some corn to China and some hybrid corn seed to Laos. This cross-border trade is relatively small and completely undocumented.

Corn consumption.

About 70-75% of total corn production is used for animal feed, and the remaining is for seed and human consumption. Vietnam's corn for feed is estimated at 2,050 tmt including corn used for industrial animal feed production and home-mixed feeds. Post estimates total Vietnam's 2002 corn for domestic use at 2,502 tmt (see table 4).

Table 4: Vietnam Corn PS&D Table

PSD Table						
Country	Vietnam					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		01/2000		01/2001		01/2002
Area Harvested	690	730	690	727	0	780
Beginning Stocks	0	0	0	76	0	48
Production	1800	2005	1800	2112	0	2262
TOTAL Mkt. Yr. Imports	50	210	50	40	0	250
Oct-Sep Imports	50	210	50	40	0	250
Oct-Sep Import U.S.	0	0	0	0	0	0

TOTAL SUPPLY	1850	2215	1850	2228	0	2560
TOTAL Mkt. Yr. Exports	103	3	0	2	0	3
Oct-Sep Exports	103	0	0	0	0	0
Feed Dom. Consumption	1600	1600	1750	1680	0	2050
TOTAL Dom. Consumption	1747	2136	1850	2178	0	2502
Ending Stocks	0	76	0	48	0	55
TOTAL DISTRIBUTION	1850	2215	1850	2228	0	2560

Policy

Vietnam boost hybrid corn production.

The Government of Vietnam has approved a hybrid corn project to boost domestic corn production (and reduce the import level). Accordingly, Vietnam will have 1.2 million hectares of hybrid corn that produce 5.00 mmt of corn by 2005. To implement the project, MARD has outlined five key corn growing areas including 150 Tha in RRD; 362 Tha in the North mountainous regions; 194 Tha in the Central and Coastal regions; 110 Tha in the South-Eastern region and 90 Tha in the Mekong River Delta. However, many observers doubt about the reality of the plan.